



County of Los Angeles CHIEF EXECUTIVE OFFICE

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WILLIAM T FUJIOKA
Chief Executive Officer

March 2, 2010

The Honorable Board of Supervisors
County of Los Angeles
383 Kenneth Hahn Hall of Administration
500 West Temple Street
Los Angeles, CA 90012

Board of Supervisors

GLORIA MOLINA
First District

MARK RIDLEY-THOMAS
Second District

ZEV YAROSLAVSKY
Third District

DON KNABE
Fourth District

MICHAEL D. ANTONOVICH
Fifth District

Dear Supervisors:

BOND ANTICIPATION NOTES AUTHORIZATION AND REIMBURSEMENT RESOLUTION (ALL DISTRICTS) (3 VOTES)

SUBJECT

These actions will provide for interim financing of equipment acquisitions for various County departments and enable the County to maximize reimbursement for costs related to the financing of this equipment.

IT IS RECOMMENDED THAT YOUR BOARD:

1. Approve the issuance of short-term Bond Anticipation Notes in an aggregate amount not to exceed \$33.8 million to finance the acquisition of various equipment needs through the Los Angeles County Capital Asset Leasing Corporation.
2. Adopt the "Resolution of the Board of Supervisors of the County of Los Angeles Declaring its Intention to Reimburse Certain Capital expenditures from the Proceeds of Taxable or Tax-Exempt Obligations (2009-10 Equipment BANs Program)".

PURPOSE/JUSTIFICATION OF RECOMMENDED ACTION

Approval of the recommended actions will allow the issuance of new short-term Bond Anticipation Notes (BANs) in 2009-10 to provide interim financing of equipment acquisitions for various County departments in accordance with federal tax regulations and enable the County to maximize reimbursement for costs related to the financing of this equipment.

"To Enrich Lives Through Effective And Caring Service"

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Intra-County Correspondence Sent Electronically Only***

BANS Authorization for Equipment Acquisition

The recommended actions will authorize the issuance of BANS in an aggregate amount not to exceed \$33.8 million to provide interim financing for equipment acquisitions by various County departments. The summary of the \$33.8 million in authorized equipment purchases using the Los Angeles County Capital Asset Leasing Corporation (LAC-CAL) Equipment Financing Program is attached to the reimbursement resolution recommended for approval as part of this action. The BANS will be issued by LAC-CAL and purchased as an investment by the County Treasury Pool in an amount sufficient to acquire and deliver the identified equipment. Subsequently, the BANS will be redeemed and the County Treasury Pool reimbursed through the issuance of intermediate-term lease-revenue bonds, certificates of participation, or a lease with a third-party lessor.

Reimbursement Resolution

In addition to the approval of the BANS issuance for equipment acquisition, we are requesting that your Board execute the attached Reimbursement Resolution, as approved by County Counsel, to comply with federal tax regulations governing the recovery of County capital costs from taxable and tax-exempt bond proceeds. Execution of the Resolution will enable the County to maximize reimbursement for costs related to the financing of equipment for various County departments.

Internal Revenue Service Requirements

In 1991, the Internal Revenue Service (IRS) introduced regulations governing the reimbursement of expenditures from bond or Certificates of Participation (COP) proceeds. In order to ensure the continued recovery of allowable expenditures, which are related to equipment acquisitions, the regulations require your Board to adopt a Resolution, which states the following:

- your Board's intention to finance expenditures related to equipment acquisitions;
- a statement that any such expenditures would be financed through the issuance of a tax-exempt or taxable bonds or COPs;
- a qualitative description of the proposed project whose expenditures would be reimbursed from the proceeds of such an issue; and
- identification of the expected source(s) of funds, which would initially pay for such expenditures and ultimately be utilized to repay the bond or COP obligation.

The attached Resolution meets IRS regulations and will allow for maximum reimbursement of County expenditures for equipment from future bond sales. Prior and current year costs have been included to allow reimbursement from a future bond sale. A description of the proposed equipment is attached to the Resolution for your review.

2009-10 Debt Management Guidelines

On July 3, 1990, the Board of Supervisors adopted Comprehensive Debt Management Guidelines (Guidelines) to regulate the use of various financing instruments. The Guidelines provide limits for the issuance of short and long-term obligations, including BANs. The Guidelines are reviewed annually and an annual update is filed with the Board regarding the following types of obligations:

- Bond Anticipation Notes
- Short-Term Tax-Exempt Notes
- Long-Term Leasehold Revenue Bonds or Certificates of Participation
- Unrated Short and Long-Term Obligations

The limits adopted for each of these debt categories have been set at a defined percentage of the total County Budget and have represented the maximum amount of short-term obligations such as the BANs or Tax-Exempt Commercial Paper (TECP), which could be issued as well as the maximum level of annual debt service on intermediate and long-term obligations, bonds and COPs, which could be incurred during the fiscal year.

For the 2008-09 Guidelines, your Board approved a limit on short-term BANs and TECP at 2.0 percent of the Total County Budget, 4.0 percent for intermediate and long-term bonds or COPs, and at 0.4 percent for unrated publicly offered obligations.

The 2009-10 Guidelines are currently undergoing revision to reflect the County's Recovery Act financing programs, including Build America Bonds and Recovery Zone Bonds, as well as the procedures and policies of which are currently under development. We are working closely with the Treasurer on these revisions. The 2009-10 Guidelines will be recommended to your Board within the next month.

FISCAL IMPACT/FINANCING

Approval of the recommended actions will enable the County to issue BANs to provide interim financing for equipment acquisition and maximize reimbursement of County expenditures for equipment from future bond sales. Funding for the repayment of BANs has been included in the Adopted 2009-10 Budget.

FACTS AND PROVISIONS/LEGAL REQUIREMENTS

The attached Reimbursement Resolution has been approved by County Counsel.

IMPACT ON CURRENT SERVICES (OR PROJECTS)

The recommended actions will ensure the continuation of the County's long-standing LAC-CAL Equipment Program.

CONCLUSION

Upon approval of the recommendations, please forward an adopted copy of the Board letter and an executed copy of the Reimbursement Resolution to the Chief Executive Office, Capital Projects Division.

Respectfully submitted,



WILLIAM T FUJIOKA
Chief Executive Officer

WTF:SK
DJT:PB:zu

Attachments

c: Executive Office, Board of Supervisors
Auditor-Controller
County Counsel
Treasurer-Tax Collector

RESOLUTION OF THE BOARD OF SUPERVISORS OF THE
COUNTY OF LOS ANGELES DECLARING ITS INTENTION TO
REIMBURSE CERTAIN CAPITAL EXPENDITURES FROM THE
PROCEEDS OF TAXABLE OR TAX-EXEMPT OBLIGATIONS
(2009-10 EQUIPMENT BANs PROGRAM)

WHEREAS, from time to time the County of Los Angeles (the "County") desires and intends to undertake the purchase of tangible personal property having a useful life of three years or more (the "Equipment"), as set forth in the schedule attached hereto; and

WHEREAS, no funds of the County or of any other entity which is a part of the controlled group of which the County is a part (the "Controlled Group") as such term is defined in Section 1.150-1 of the regulation of the United States Treasury under the Internal Revenue Code of 1986, as amended (the "Treasury Regulations") are, or are reasonably expected to be, allocated, reserved or otherwise set aside in the County's budget or in the Controlled Group's budget on a long-term basis to pay the costs of the Equipment; and

WHEREAS, the costs of the Equipment will initially be paid from the proceeds of Bond Anticipation Notes ("BANs") issued by the Los Angeles County Capital Asset Leasing Corporation ("LAC-CAL") and purchased by the Treasurer and Tax Collector of the County; and

WHEREAS, the costs of the Equipment paid with the proceeds of the BANs are expenditures of a type which are properly chargeable to a capital account under general federal income tax principles in connection with the Equipment, and

WHEREAS, the County expects to issue taxable or tax-exempt bonds, notes, or certificates of participation, or enter into a tax-exempt lease with a third-party lessor ("Obligations") to redeem the BANs and reimburse the capital expenditures of the County with respect to the Equipment which were paid with the proceeds of the BANs; and

WHEREAS, upon issuance of the Obligations, the County will: (1) evidence the reimbursement allocation with an entry in the books or records which it maintains with respect to the Obligations, (2) identify in such entry the actual prior expenditure being reimbursed or the fund from which the expenditure was paid, and (3) be relieved of any restrictions under the relevant legal documents and applicable state law with respect to the amount received as reimbursement as a result of the reimbursement allocation; and

WHEREAS, this Resolution will be reasonably available for public inspection within a reasonable period of time after its date of adoption and in the same manner governing the public availability of records of other official acts of the County Board of Supervisors; and

WHEREAS, this Resolution is intended to be a "declaration of official intent" in accordance with Section 1.150-2 of the Treasury Regulations;

NOW, THEREFORE, this Board does find, resolve, determine and order that in accordance with Section 1.150-2 of the Treasury Regulations, the County declares its

intention to issue Obligations to finance the Equipment in an amount not to exceed \$33,832,000 the proceeds of which will be used to reimburse the County for capital expenditures paid for the Equipment prior to the issuance of said Obligations.

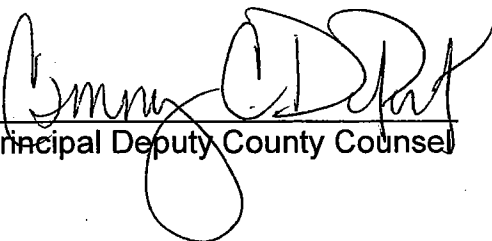
The foregoing resolution was on the _____ day of March, 2010 adopted by the Board of Supervisors of the County of Los Angeles and *ex-officio* the governing body of all other special assessment and taxing districts, agencies and authorities for which said Board so acts.

SACHI A. HAMAI, Executive Officer,
Board of Supervisors of the County
of Los Angeles

By _____
Deputy

APPROVED AS TO FORM:

ANDREA SHERIDAN ORDIN
COUNTY COUNSEL

By 
Principal Deputy County Counsel

**LOS ANGELES COUNTY CAPITAL ASSET LEASING ACQUISITION (LAC-CAL)
EQUIPMENT FINANCING PROGRAM
Summary of Authorized Transactions/Financing Uses
by Department - all Funds**

Department	Equipment Category	Anticipated 2009-10 Acquisitions
General Fund		
Internal Services	Vehicles – Heavy Use	\$ 1,137,000
Internal Services	Computer & Data Processing	11,469,000
Sheriff's Department	Vehicles	<u>6,600,000</u>
		\$ 19,206,000
Total General Fund		
Health Services Department		
Rancho Los Amigos NRC	Medical Equipment	\$ 706,000
Rancho Los Amigos NRC	Non-Medical Equipment	433,000
LAC+USC Medical Center	Medical Equipment	3,120,000
LAC+USC Medical Center	Non-Medical Equipment	70,000
LAC+USC Medical Center	Computer & Data Processing	132,000
Coastal and Southwest Care Network	Machinery Equipment	565,000
Coastal and Southwest Care Network	Medical Equipment	2,994,000
Valley Care Network	Medical Equipment	<u>6,606,000</u>
		\$ 14,626,000
Total Health Services Department		
Total Financing		\$ 33,832,000

The equipment identified on this page reflects anticipated County equipment requirements to be financed through the Los Angeles County Capital Asset Leasing Corporation (LAC-CAL) in 2009-10. The County Board of Supervisors has not allocated, reserved or otherwise set aside any funds in the County's 2009-10 Final Budget to purchase the equipment identified above.

It is officially the intention of the County Board of Supervisors that the acquisition of such equipment be initially funded through the issuance of Bond Anticipation Notes (BANs) or another short-term financing mechanism. The BANs will be issued by LAC-CAL and purchased as an investment by the County Treasury Pool in an amount sufficient to acquire and deliver the identified equipment. Any such costs, which are initially funded by BANs, will be properly capitalized under general federal income tax principles.

Further, the Board of Supervisors expects the outstanding BANs to be redeemed and the County Treasury Pool to be reimbursed, through the issuance of taxable or tax-exempt, intermediate-term lease revenue bonds, certificates of participation, or through a lease with a third-party lessor. The amounts specified above represent the maximum principal amounts of such intermediate-term obligations to be issued for the specified equipment.

These official intentions of the Board of Supervisors with respect to the LAC-CAL Equipment Program have been specified in accordance with U.S. Treasury Regulation 1.150-2.